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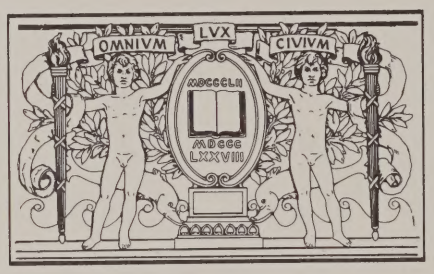

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CONDOMINIUM POLICY IN BOSTON*

Robert T. Kenney
Director, Boston
Redevelopment Authority

Condominiums in Boston are a relatively new and increasingly important aspect of the housing market in Boston. Initially the concept was slow to catch on in New England, with the first conversions in the city occurring only in 1969. However, in just the last year, the number of condominiums in Boston has more than doubled. The BRA has closely followed this growth and in the article by Kent Colton which follows, details regarding the extent, location and market are outlined. One of the most important queries that must be addressed, though, is what is the policy of the city towards condominium growth. Since questions along these lines have arisen in the past, I am pleased that this article provides an opportunity for clarification.

In general, condominiums are viewed by the city as a positive phenomenon which should be encouraged. Increasing home-ownership through condominium conversion brings rehabilitation, an increased tax base, and greater stability in Boston neighborhoods. For example, while about 28 percent of the residents of new, downtown Boston apartments indicated that they were likely to move in the next year or so, only 4.7 percent of the residents of city condominiums contemplated such a move. Nevertheless, the conversion process may negatively affect tenants who cannot affort to purchase their unit and are forced to move. With this in mind, the city is attempting to establish a policy which both encourages condominiums, but is sensitive to the needs of tenants, particularly those with low or moderate incomes.

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* This statement was prepared for the March, 1974 issue of the Massa-

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The two areas of city policy which are of primary concern to the development community are taxes and the policy of the rent control administration concerning evictions.

First, I'll discuss taxes. In a policy established by the Mayor to encourage the condominium concept, the city has established that condominiums will be assessed at 26 percent of market value.* The effective property tax rate on condominiums in Boston is now more competitive with the tax rate on condominiums in other cities and towns in the metropolitan area. A second question concerns the assessment for unsold housing units which are part of a condominium conversion project. Units in a building converted to condominium use on or before the taxing date will be assessed as a condominium. In the event that any of these units have not been sold and do not sell during that taxable year, the Assessing Department will consider an application for abatement based on the fair economic rent for those units.

Regarding the policy for evictions for condominium conversion, I feel that besides outlining the specific means by which evictions can be made, it is important to convey the purposes and objectives of the city's position. As stated earlier, the city is in favor of condominium conversion. However, the needs of displaced tenants who cannot afford to purchase their unit and are forced to move must receive consideration. The rent control administration must therefore strike a "middle -ground" -- one that will balance the benefits of condominiums to the city with the needs and rights of tenants, particularly those with low and moderate incomes. Such a middle ground is sometimes unpopular in that it runs the risk of being loved by no one and disliked by all; still a balance

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* In determining market value the city uses a method of capitalizing real or imputed rental income wherever possible.

is necessary.

As a first step in this direction, the rent control administration has recently negotiated a settlement, in conjunction with the Boston Housing Court, wherein certificates of eviction will be issued on a unit by unit basis by the rent board according to Section 9, Article 8 in Chapter 842. Two conditions must be met. First, the project must be a bonafide condominium conversion, and second, there must be an unconditional purchase and sale agreement for the particular housing unit. As John Grace has stated, "Wholesale evictions on speculative conversions will not be allowed. However, the policy is meant to be simple and straightforward. If someone has purchased a bonafide condominium unit under an unconditional purchase and sale agreement, then the buyer or the seller acting as the buyer's agent may obtain a certificate of eviction."

While such a policy will allow evictions, the intention is to make it perfectly clear that it is in everyone's best interest for the developer to be conscious of tenants' needs, thus providing special incentives for existing tenants to buy, or at least to be conscious of the relocating problems of current tenants. As far as we are concerned, the more cases which can be resolved without coming before the city and the rent control agency the better off everyone will be.

In a vast majority of cases, in fact, it will be unnecessary to evict. Many tenants want to purchase and do. They are the first and best market for those doing the conversion. If tenants do not want to purchase the unit, the problem for them is often a matter of time to find a suitable alternative. If wholesale eviction is requested of the rent board, it probably means that the developer is moving too fast, and thus the requirement has been set that a commitment must exist for the unit to be sold before evictions can proceed.

Naturally, the impact of the new policy should be monitored. The anticipation is that conversions in the future will be financially sound and done with proper concern for the tenants, particularly for those with low and moderate incomes. Thus, further restrictions will not be necessary.

Finally, the city has two other policy concerns - consumer protection and a greater effort to encourage low and moderate income condominiums. Consumer protection is the theme of several articles in this journal, and I am pleased to see the Rental Housing Association taking a lead along these lines. Concerning low and moderate income condominiums, the BRA's information reveals that a majority of the units in Boston to date have been for middle and upper income families. Greater experimentation and effort is needed in developing and converting condominiums for the moderate and low income families in the city. Such new forms of home ownership offer opportunities for households to share in the advantages and challenges of home ownership. Along these lines, the MHFA is already considering a program to finance the development of new low and moderate income condominiums; and the city, the BRA, CHPA, and other interested parties have begun to meet to discuss the means by which experimentation for low and moderate income condominium conversions might occur in Boston.

Once again, let me stress that the city is pleased with the recent trends toward condominiums in the city. This is a positive phenomenon which will have a beneficial influence on the city's housing. If information is desired, or any questions arise regarding condominiums in Boston, the BRA is always pleased to be of service wherever possible.

CONDOMINIUMS IN BOSTON...A "MINI-BOOM" WITH FUTURE POTENTIAL*

....Kent Colton, with special staff assistance
from Robert Earsy**

One of the most striking features in the current housing market in the country is the rise of condominiums. This is the most successful housing innovation in many years. It is estimated that about 30 percent of all housing starts in the nation this past year were condominiums.

Although the development of condominiums has been comparatively slow in starting in Boston and its surrounding area, it now appears that the concept has matured in New England. Although the number of condominiums in Boston is still only a very small part of the total housing in the city -- about one-half of one percent -- a "mini-boom" in conversions is underway. Compared to the decade of the sixties, the growth within the last several years has been remarkable, and the potential for the future seems strong.

In order to convey a better understanding concerning the condominium picture in Boston, this article will first review what has happened in the past, and will then discuss the strength of the current market and the potential for the future. The focus will be on the City of Boston. The concept, though, is widespread throughout the metropolitan area.

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* This statement was prepared for the March, 1974 issue of the Massachusetts Rental Housing Association Bulletin.

** Kent Colton is currently Director of Housing Program Development, Research Department, Boston Redevelopment Authority, and Robert Earsy is a Planning Officer in the Research Department.

Condominium Development in Boston

The Boston condominium market is relatively new. Condominium enabling legislation passed the Massachusetts legislature in 1963 (Chapter 493), but the first such units were not available in Boston until 1969. Further, due to the cautious view of both the financial and development institutions and the buying public, initial condominium activity from 1970 through 1972 was limited to a narrow geographical band -- the conversion of older quality rental units in the Back Bay/ Beacon Hill area. These units have proven to be extremely marketable because of their unique location. In a survey carried out by the Boston Redevelopment Authority at the end of 1972, there were 404 condominium units in the city found in 32 projects and almost 80 percent of them were located in the Back Bay area, with the other 20 percent essentially in Beacon Hill, with one project in the Waterfront and another in the South End.

However, much of the early caution has lifted. The market has now reached a point where real estate personnel, mortgage lenders, and the lay public are no longer strangers to the condominium concept, and an increasing number of households are actively considering the possibility of buying a condominium. A striking aspect of condominium development in Boston has been the rapid increase of units -- from only 20 in 1970 to almost 1,000 units in 47 different developments at the end of 1973. During 1973 alone, the number of condominium units added to the Boston market more than doubled (see Chart 1), and even a cursory analysis of future units to be available in 1974 and 1975 reveals that the momentum will continue.

In addition, new units which came on the market in 1973 were available in a number of areas of the city ranging from the Waterfront to West

Beacon Hill, but whereas almost 80 percent of the city's condominium units were located in Back Bay at the end of 1972, by the end of 1973 this figure had dropped to 55 percent.*

Two other changes in condominium development in the city are important to note. First, whereas all condominium activity in the past has been conversions,** there are currently plans for at least several new construction condominium projects in the city. Pasquali Franchi will begin construction of 178 units on the Cabot Estates in Jamaica Plain in 1974, and Cabot, Cabot and Forbes is currently discussing a renovation of the Ritz Carlton which will include the new construction of a number of condominium units.

Second, whereas the large majority of condominium units available in the past have been in the middle and upper income price range, several of the most recent projects have begun to reach a more moderate income population -- for example, Monterey Gardens in West Roxbury, a 69-unit conversion with a price range of $20,000 to $24,000 and Arborway Apartments in Jamaica Plain with 121 units selling for ranges from $14,000 to $18,000. Chart 2 indicates that a preponderance of condominium units are still found in a price range above $30,000-$40,000. However, the balance is shifting, and the city is interested in encouraging additional moderate and low income condominiums, particularly if conversions can be done in a manner that is sensitive to the needs of existing tenants. (See Robert Kenney's comments above.)

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* For those interested in a detailed listing of condominium projects, several sources are available. The BRA has such a list and it can be obtained by contacting Robert Earsy or myself. In addition, the Back Bay Federation for Community Development has been a long time proponent of condominiums in the city, and they have recently published a document "Condominiums in the Back Bay, Status and Outlook", February 7, 1974, by Daniel L. Ahern, their Executive Director. Their report has been particularly helpful in preparing this article.

** With the exception of 2000 Commonwealth Avenue which collapsed before

The Current Market and the Potential

There are a number of direct indications that the market for condominiums in Boston is well established. Although all developments have not met with such rapid success, some recent offerings, such as Monterey Gardens in West Roxbury, have essentially sold out within a period of a year.

Other demonstrations of the market are the extent and price for resale by individual owners. Examination of resales in the densest area of condominiums in the city, Beacon Street in the Back Bay, shows that only 10 out of a total of 230 units (4.3 percent) have been resold. In all cases, the resale price has been either equal to or in excess of the original purchase price, with an average increase of $4,000 per unit, and an average time between original purchase and resale of 15.6 months.*

To further complement these direct indicators and to better understand the city's rental and condominium market, a survey was commissioned by the BRA last year of condominium owners and high-rise apartment dwellers. There surveys were conducted in December, 1972, and as previously noted the existing condominium conversions in Boston at that time were found principally in the Back Bay-Beacon Hill areas. Despite these geographic limits, the results of the surveys are informative and useful in showing both the special characteristics of the existing market and the potential for the future.

The Existing Market. Most of the condominium dwellers were drawn from

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* The average original price was $38,700 and the range was $26,000 to $50,000, with a $38,500 median price.

the rental market (70%). Furthermore, almost 30 percent were living in their unit as renters before purchasing it as a condominium, reflecting an important tenant market when converting rental units to condominiums. It is also interesting to note that better than 40 percent of the purchasers moved from outside Boston when they bought their condominiums -- a positive movement of people back into the city. (See Chart 3.)

The condominium population in the Back Bay-Beacon Hill areas is a comparatively wealthy one. Examination of the household incomes of Boston condominium owners and central city area apartment dwellers in Chart 4 shows that over 50 percent of condominium households vs. less than 30 percent of apartment dwellers make over $25,000 per year. The higher incomes of these households are consistent with the fact that condominiums in Boston up to 1972 had been sold mainly at high prices.

The survey shows some other interesting characteristics of the current condominium market in Boston. Chart 5 outlines the age distribution of condominium residents as they compare to all other city dwellers. The presence of two groups of people is particularly notable: a somewhat higher proportion of 45-64 year olds, and a relatively high number of "young professional" owners in the 25-34 year old age bracket. The 45-64 year old group typically represents the "empty-nester" group, with grownup children who have left home. The "empty nesters" are often seeking a change to smaller living quarters, and a means of deferring capital gains on the sale of their previous single family house.

The second notable group is the 20-24 year old young professional group, and there are several indications of their demand. First, since 1970, the population of the city has stabilized and achieved modest growth, much of this growth due to an increase in the 25 to 34 year old age population in the city. Second, despite the high price range of the condominium market in Boston at the time of the survey, the percentage

of young households owning such units (in the 25-34 year age range) was slightly higher than for the dwellers of the city as a whole. A related statistic is the high number of single person (over 40%) and two-person (over 40%) households, showing that young professionals, both singles and couples, are an important sector of the current condominium market.

Finally, it is interesting to note from the survey that a very low percentage of urban condominium dwellers, (9%) have minor children as compared to 42% for all city residents.

The Potential. Indications of a strong potential market for condominiums were also obtained from the recent survey of Boston's central city apartment dwellers. Over 20 percent of these apartment dwellers indicated that it was "likely" that in the next few years they would decide to buy a condominium, with 35 percent of these interested responders between 25-34 years, only 15 percent between 35-44 years, and a very small 3 percent over 65 years old. Furthermore, a strong preference to buy in Boston was expressed by over 60 percent of this group. These results are especially significant in light of the existing Boston condominium market which still offers a relatively small choice in terms of location, price, or the option of a new unit.

Still another perspective in the potential for the Boston condominium market was explored by asking those apartment dwellers who had indicated a lack of interest in condominiums why they were not interested. Chart 6 indicates the responses in terms of five major categories. However, it seems that several of those objections could be overcome, and it is possible that 15 to 25 percent of those apartment dwellers currently not interested in condominiums could switch their opinion.

When the preceding survey results are applied to the existing housing

market situation, a rough estimate of potential demand over the next several years for up to 3,000 units in just the central area of the city can be projected.

Concluding Thoughts

A number of factors have contributed to the recent surge of condominium activity in Boston. Although this movement has many positive benefits to the city and its residents, this activity should be monitored both by the public and private sector to see that conversions are financially sound and that consumers are provided with proper protection. If our "mini-boom" is nurtured with sensitivity and concern, it offers an important potential for the future.

CHART 1

NUMBER OF CONDOMINIUM UNITS COMING ONTO THE MARKET EACH YEAR IN BOSTON

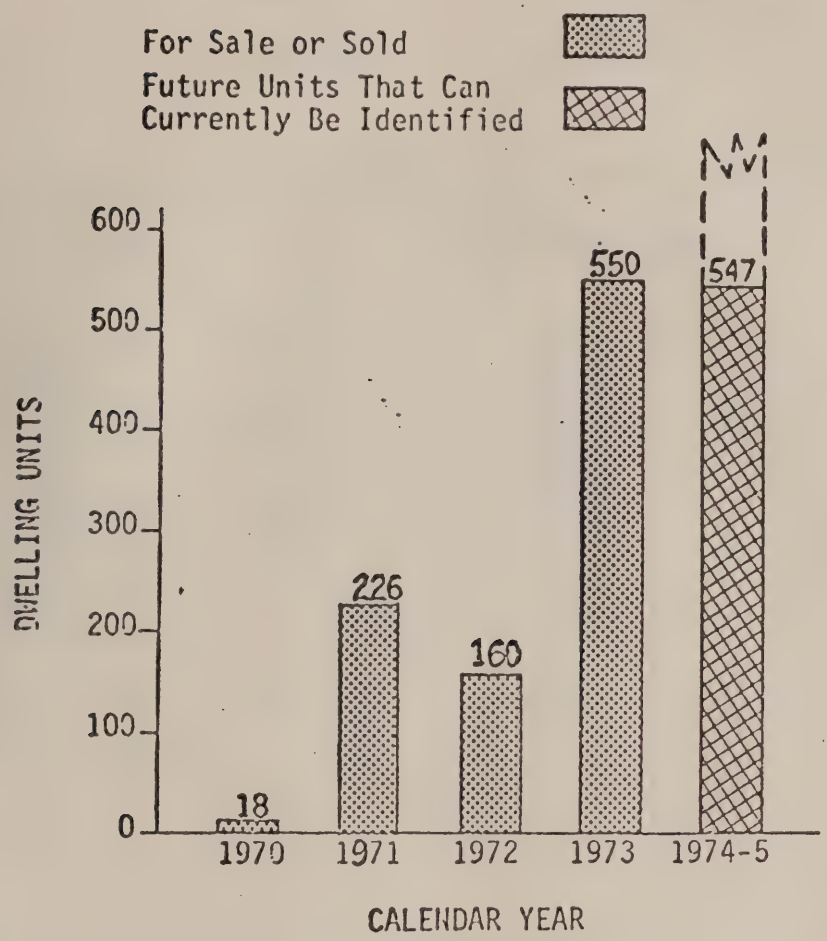


CHART 2

DISTRIBUTION OF BOSTON CONDOMINIUMS BY PRICE RANGE

Price Range	% of Condominiums
$ 0-19,000	14.0%
20,000-29,000	18.9
30,000-39.000	16.3
40,000-49,000	14.9
50,000-59,000	18.1
60,000-69,000	5.8
70,000-79,000	5.4
80,000-89,000	4.8
90,000 and above	1.8
TOTAL	100.0%

PLACE OF FORMER RESIDENCE OF CONDOMINIUM OWNERS

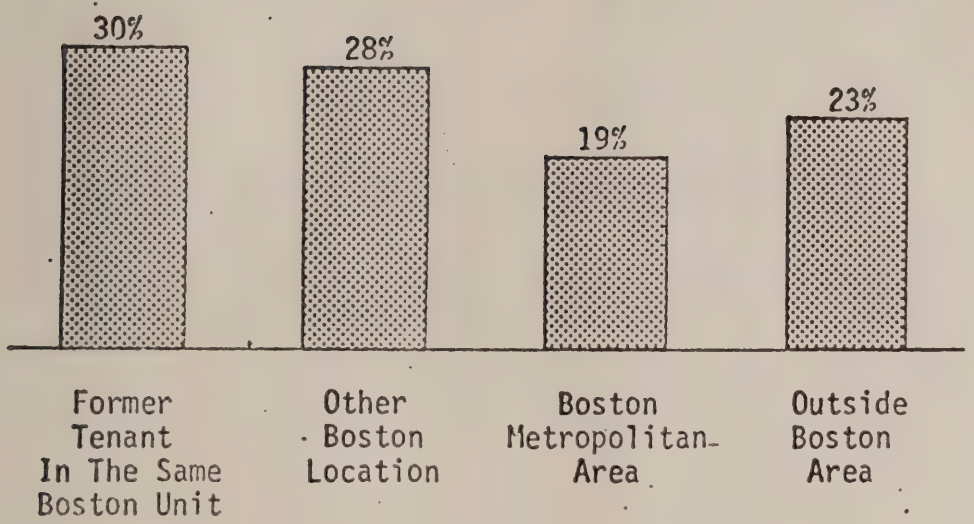


CHART 4

FAMILY INCOME

Income	Boston Condominiums*	Boston Highrise Apartments*	City of Boston**
$ 0- 7,999	0.0%	9.9%	25.7%
8,000- 9,999	3.2	8.6	30.5
10,000-14,999	16.1	19.2	25.7
15,000-24,999	29.0	31.8	14.8
25,000 +	51.7	30.5	3.3
	100.0%	100.0%	100.0%

* Source: Boston Redevelopment Authority, Research Department surveys performed during December 1972.

** Source: 1970 U.S. Census of Population and Housing, Fourth Count Summary Tape.

CHART 5

AGE DISTRIBUTION OF CONDOMINIUM RESIDENTS
COMPARED TO ALL CITY DWELLERS

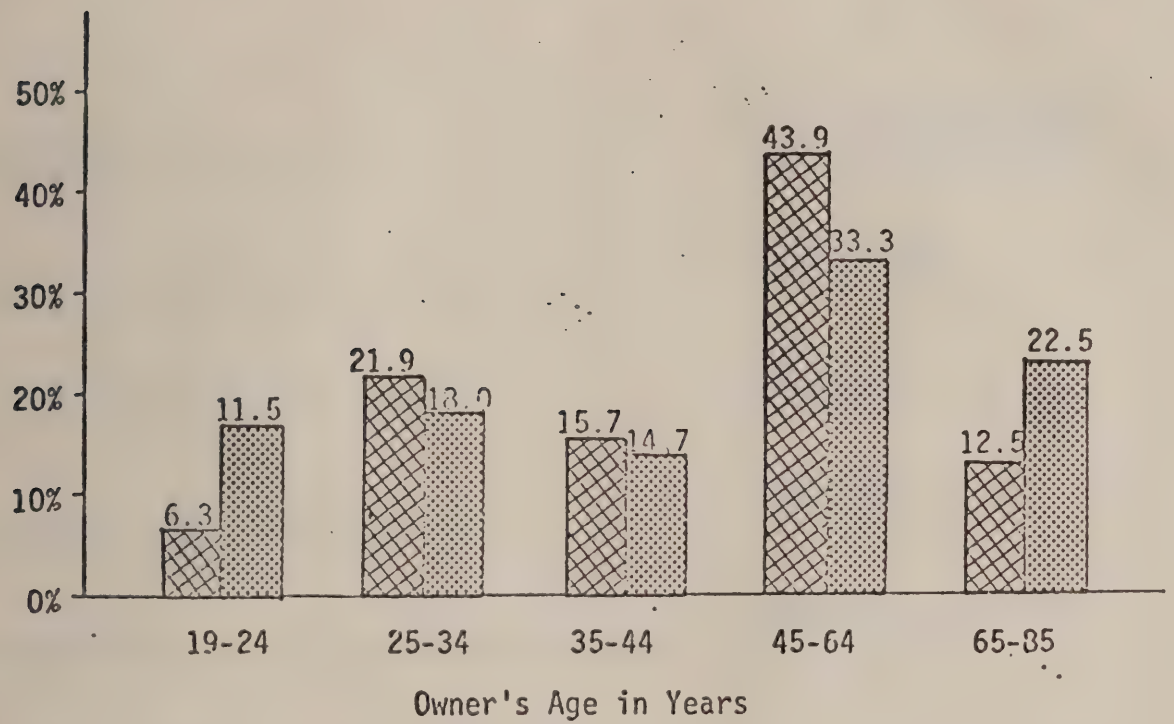
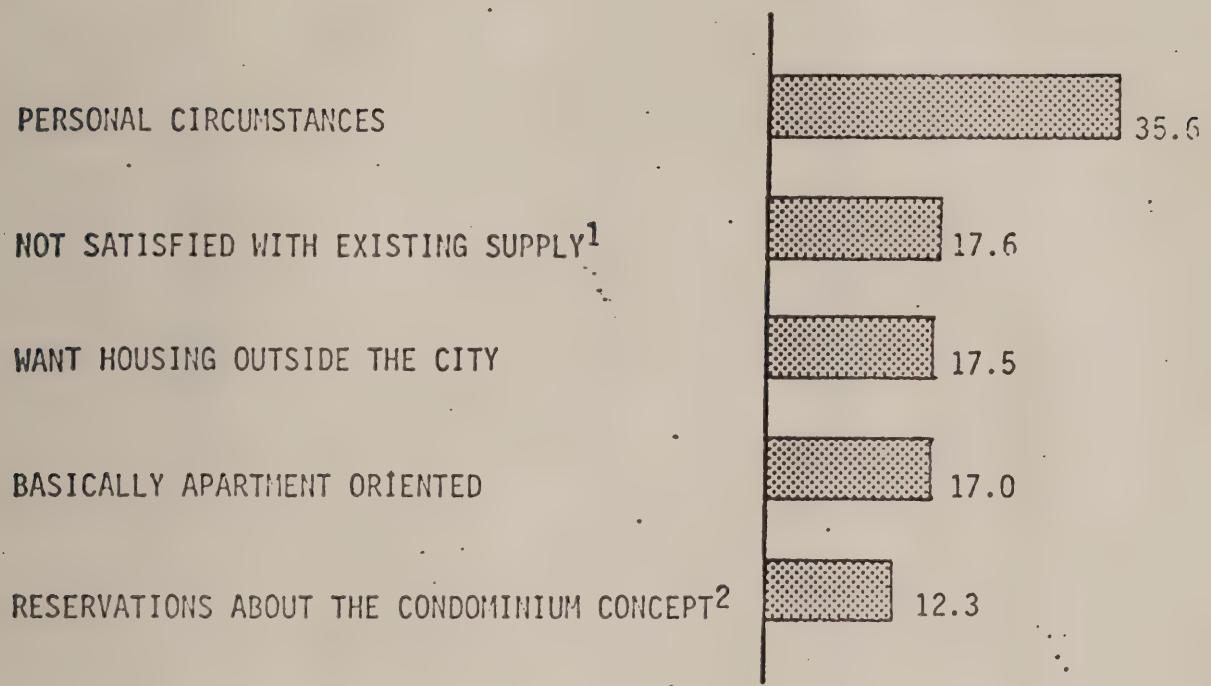


CHART 6

REASONS APARTMENT DWELLERS WERE NOT LIKELY TO PURCHASE A CONDOMINIUM



1. 16 percent felt that it is too expensive
2. Resale, legal aspects, investments

Attachment 1

CONDOMINIUM DEVELOPMENTS IN BOSTON***

1. Back Bay	Dwelling Units*	Date Offered**	
35 Beacon St.	1?	1972	
51 "	3?	72	
120 "	8	73	
165 "	1	72	
166 "	7	73	
169 "	1	72	
180 "	107	71	
182 "	14	72	
186 "	7	73	
226 "	8	73	
228-30 "	15	73	
232 "	8	72	
236-40 "	28	72	
242 "	10	73	
250 "	22	73	
255 "	23	71	
260 "	11	70	
280 "	30	73	
322-30 "	81	74	
383 "	?	71	
Sub-total, 20 developments	385		
43 Commonwealth Ave.	5	72	
61 "	5	72	
65 "	14	72	
90 "	24	74	
160 "	112	75	(Vendome Hotel Conv.)
169 "	9	72	
191 "	16	71	
192 "	9	71	
Sub-total, 8 developments	194		
127 Marlborough St.	4	72	
137 "	9	72	
142 "	10	74?	
220-22-24 "	24	73	
232 "	6	72	
254 "	3	72	
276 "	8	72	
Sub-total, 7 developments	64		

* Where the total number of condominium dwelling units is unknown, a conservative estimate of only the units which have been sold to-date is used.

** The date of sale of

***Compiled by the Housing Task Force, Boston Redevelopment Authority, March 24, 1974.

19 Arlington St.	8	73	
? "	?	76	(Ritz Carlton Addition)
265-75 Dartmouth St.	77	73	(Victoria Hotel Conv.)
20 Herford St.	4	72	
8 Gloucester St.	17	72	
20 "	7	70	
Back Bay Sub-total	756		

2. Beacon Hill

10 Otis Place	10	71	
26 Mount Vernon St.	10?	72	
61 "	6	71	
70 "			
72 "	31	71	("The Hill Condominiums")
27 Chestnut St.			
1&3 Chestnut St.	6?	72	
19 Joy	3?	73	
Beacon Hill Sub-total	66		

3. South End

4 Lawrence St.	1?	72	
35-39 "	24	71	
South End Sub-total	25		

4. North End & Waterfront

Henchman St.	30	74?	
287-295 Hanover St.	14	74?	
Lewis Wharf	102	73	
63 Atlantic Ave.	42	73	
North End & Waterfront Sub-total	188		

5. Charlestown		
Medford St.	12	75
6. Brighton		
140-142-144 Kenrick St.	86	74?
35-37, 99-41 Linden St.	?	?
80 Notingham Rd.	?	?
Brighton Sub-total	86	
7. West Roxbury		
Monterey Gardens	69	73
8. Jamaica Plain		
Cabot Estates	178	75?
9. Roslindale		
Arborway	121	73
10. Hyde Park		
Gordon Avenue	140	75
BOSTON TOTAL	1641	

SUMMARY

Back Bay	756
Beacon Hill	66
South End	25
North End & Waterfront	188
Charlestown	12
Brighton	86
West Roxbury	69
Jamaica Plain	178
Roslindale	121
Hyde Park	140

BOSTON TOTAL 1641